

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54941; File No. SR-Phlx-2006-70)

December 14, 2006

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto To Adopt Fees for the Trading of Equity Securities on XLE

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on November 2, 2006, the Philadelphia Stock Exchange, Inc. (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Phlx. On December 12, 2006, the Exchange filed Amendment No. 1 to the proposed rule change.³ The Exchange has designated this amended proposal as one establishing or changing a due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A),⁴ and Rule 19b-4(f)(2) thereunder,⁵ which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ In Partial Amendment No. 1, which supplemented the proposal as originally filed, the Exchange made several clarifying changes to further explain the assessment of the proposed fees in connection with its new equity trading system and made other technical changes to the original filing. In addition, the Exchange included a revised Exhibit 5A in Partial Amendment No. 1 to reflect technical and clarifying changes made therein, which, for clarity and ease of reference, replaces the Exhibit 5A contained in the original filing. The Exchange did not propose any new fees in Partial Amendment No. 1.

⁴ 15 U.S.C. 78s(b)(3)(A).

⁵ 17 CFR 240.19b-4(f)(2).

Additionally, the Exchange intends to offer an execution credit to member organizations, ranging from \$0.002 to \$0.0026 per share, for orders that provide liquidity to XLE. Any available credits would be applied to the member organization's monthly invoice. Excess credits would be carried over into subsequent months or rebated to the applicable member organization, as requested by the member organization.

The purpose of adopting the volume tiers in connection with the assessment of transaction fees is to encourage XLE Participant Organizations to send and execute orders on XLE. The volume tiers are based on the monthly shares executed per XLE Participant Organization; for Tier 1 (less than or equal to 10 million shares executed), the Exchange proposes to assess a fee of \$0.003 per share executed to remove liquidity and give a credit of \$0.002 per share executed for providing liquidity; for Tier 2 (greater than 10 million and less than or equal to 50 million shares executed), the Exchange proposes to assess a fee of \$0.0028 per share executed to remove liquidity and give a credit of \$0.0025 per share executed for providing liquidity; for Tier 3 (greater than 50 million and less than or equal to 200 million shares executed), the Exchange proposes to assess a fee of \$0.0027 per share executed to remove liquidity and give a credit of \$0.0026 per share executed for providing liquidity; and for Tier 4 (greater than 200 million shares executed), the Exchange proposes to assess a fee of \$0.0026 per share executed to remove liquidity and give a credit of \$0.0026 per share executed for providing liquidity. For each of the four volume tiers described above, the Exchange proposes to charge a flat routing fee of \$0.0036 per share executed when an order is routed via XLE to an away trading center and executed on that away trading center.

volume tier. Once a specific tier has been reached in a month, all transactions for that month will be subject to the fee that corresponds with that volume tier. See also infra notes 15 and 16.

